

FY 2007 Annual Program Performance Measures

DEPARTMENT: Michigan Department of Labor & Economic Growth

Appropriation Unit: Bureau of Workers and Unemployment Compensation: Program: Workers' Compensation Agency

TIMELINE: October 1, 2006 through September 30, 2007

PROGRAM MISSION STATEMENT

The mission of the Workers' Compensation Agency is to efficiently administer the Workers' Disability Compensation Act of Michigan, which includes carrier and employer compliance, timely benefit payments, and the prompt and fair adjudication of claims involving Michigan's injured workers.

PROGRAM STATEMENT

The Workers' Compensation Agency has several major statutory requirements for service to Michigan's workers and employers.

The hearing and adjudication systems within the agency consist of the **Mediation** program, the **Board of Magistrates**, and the **Workers Compensation Appellate Commission** appeal process. The statewide hearing system currently operates with 25 magistrates, 4 mediators and 17 clerical staff. Despite reductions in the number of magistrates and mediators and several field office closings, the agency has maintained efficient service to our customers and been able to realize substantial cost savings. When decisions issued by the Agency and Board are disputed and appealed, the Workers' Compensation Appellate Commission's (WCAC) caseload is created. The WCAC has also undergone reductions in staff members and currently operates with 5 commissioners and 6 support staff.

The **Claims Processing Division** provides custody and maintenance of work related injury claim records and supports the mediation and magistrates hearing system. The division operates with 42 total employees. Claims Processing focuses on and satisfies statutory requirements for carrier supplemental benefit reimbursement, rehabilitation issues, custody and maintenance of claims records, agency data technology coordination, verification of Agency redemption fees. It is the public point of contact for claims issues outside of the hearing system.

The Agency's medical fee cost containment function is performed by the **Health Care Services** staff which consists of 2 health care specialists. The Agency administration staff consists of 4 staff members.

The **Insurance Division** operates with a total 25 employees. The **Employer Records Section** consists of 14 employees who are dedicated to the custody and maintenance of the insurance carrier proof of insurance and cancellation filings. The **Compliance Section** is managed by 4 employees who are dedicated to employer compliance with the statutory insurance requirements. The 7 employees within the **Self-Insured Programs Section** ensure the self-insured employer approval, monitoring and compliance processes.

The **Funds Administration** operates with 28 positions serving administrative functions, the Second Injury Fund, Silicosis, Dust Disease & Logging Industry Compensation Fund and the Self-Insurers' Security Fund. These funds provide timely determination of carrier (insurer or self-insurer) and employee rights or reimbursements, and make payments due in a timely and accurate manner. The Funds Administration is completely self funded by employers and self-insureds and does not receive a General Fund appropriation.

The Agency remains vigilant in its responsibilities to deliver quality services to the public in a cost effective manner.

FUND SOURCE:

Contingent Fund, Penalty and Interest
Workers Compensation Admin. Revolving Fund
State Restricted Funds

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LEGAL BASIS:

Public Act 345 of 2006

CUSTOMER IDENTIFICATION:

Injured employees, insurance carriers, self-insured employers, self-insured group funds, attorneys, claims representatives, medical providers.

CRITICAL GOALS/MAJOR OBJECTIVES

Program Goals:

- Ensure that employees that have suffered a work related injury are provided correct wage loss replacement, medical and vocational rehabilitation services during periods of incapacity, and that these benefits are paid timely and accurately.
- Set and serve applications for hearings in a timely manner.
- Provide leadership to carry out a legislative agenda for more efficient regulation and delivery of workers' compensation benefits.
- Provide an informal dispute resolution process for employers, insurance carriers, health care providers, and injured employees through mediation.
- Monitor medical providers compliance with health care rules to assure that costs of providing health care services remain reasonable.
- Monitor the financial position of all individual and group self-insurers to assure their ability to meet future payment of benefits on a timely basis.
- Maintain a historical record system for the over 200,000 employers subject to the Workers' Disability Compensation Act.
- Monitor and enforce employers' compliance with the requirements for insurance coverage.

PROGRAM EFFECTIVENESS (Current Year)

Program Goals/Metrics

See attached examples

Performance Measures

See attached charts

Program Improvements Made

- A major accomplishment for the WCA during 2007 was the relocation of agency offices from a temporary location at the Hollister Building, back to the General Office Building (GOB). Additionally, the Lansing hearings office and the Appellate Commission were also moved into the renovated space at the GOB. The renovation project eliminated empty, vacant cubes and wasted office space and created a new, efficient and more streamlined set up of the office space.

Having a majority of the agency functions all located under one roof and in one centralized location allows for great improvements in efficiency and process functions as well as improved communication among the various sections within the agency. Updated security devices located throughout the newly renovated building, offer improved and increased security for staff and agency documents. Improvements to the heating/cooling system and more energy efficient lighting following the renovation have reduced overall energy costs for the agency and State of Michigan.

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Citizen service has also improved for those attending workers' compensation hearings as the first floor location of our offices allow easier access for physically challenged and injured workers attending hearings. Free parking for all, and easy access to handicapped parking, is a great improvement over the previous downtown Lansing location, and provides even greater customer service to our clients. Since the agency was already paying a rental fee on the entire 1st floor, B wing at the GOB, relocating the hearings office and Appellate Commission to that location eliminates the need to pay additional rental fees for those locations and provides a substantial cost savings of approximately \$148,406 (nearly 10% of the total rent budget) annually.

- Three agency employees concluded their careers during 2007 and retired from state service. Current staff will absorb the additional duties previously performed by these staff members as these positions will not filled resulting in a cost saving of approximately \$128,000 annually.
- Over the last year, the Funds Administration has implemented and expanded collection efforts on behalf of compliance enforcement. Previously, the Insurance Compliance Section pursued employers with lapsed insurance coverage employing 5 employees and a \$100,000 payroll. As a result of this expanded effort and assistance from the Funds Administration, the number of employers with lapsed insurance coverage can now be contacted. Now, employers with 3 employees and a payroll of \$50,000 are now pursued. Although this is a fairly new process, it is estimated that approximately \$25,000 in additional revenue has been generated as a result of the increase in the number of employers contacted for lapsed insurance coverage.
- In accordance with the Executive Directives, the WCA as a whole reduced out of state and in state travel costs substantially during 2007. From 2006 to 2007, a savings of \$4,938.90 in out of state travel costs was achieved while \$17,408.48 was saved on instate travel.
- Equipment costs were also reduced substantially during 2007. This is largely due to the elimination of stand alone copiers, printers, fax machines, and scanners. The use of multi-function machines has resulted in a 26% reduction in equipment expenses from 2006-2007.

PROGRAM IMPROVEMENT PLANS FOR FY08

A renovation and relocation project for the Pontiac hearings office is also planned. The renovation will allow the Pontiac office to realize many of the same improvements in processes and efficiencies, client services, communication, security and privacy that the agency staff located at the GOB now enjoy since their project completed.

CHALLENGES FOR FY08 and BEYOND:

- Penalty and Interest revenues (these, as well as Corporation and Securities fees replace GF/GP funds since 2002 to plug statewide GF/GP shortfalls) are quickly becoming an issue as funds are drying up. We will need to find another funding source in order to continue operating.
- The funding formula for the Workers Compensation Revolving Fund is in need of revising as, over the years, it has not kept pace with the cost of services.

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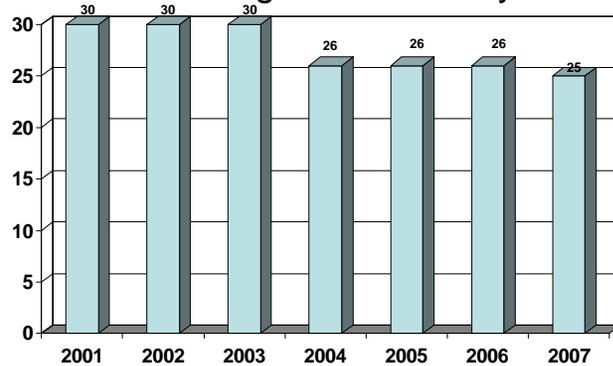
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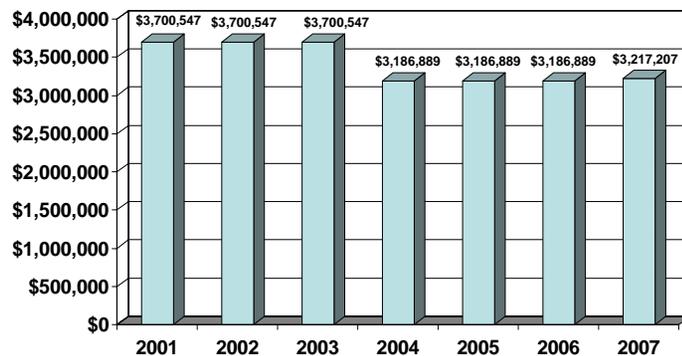
Graph #1

Estimated Savings - Magistrates

Number of Magistrates on Payroll



Magistrate Salary Payments



- When EO 2003-18 became effective 12/7/03, the number of magistrates was reduced from 30 to 26. An estimated annual savings of **\$513,658** was realized by the Agency as a result of this reduction in staff.

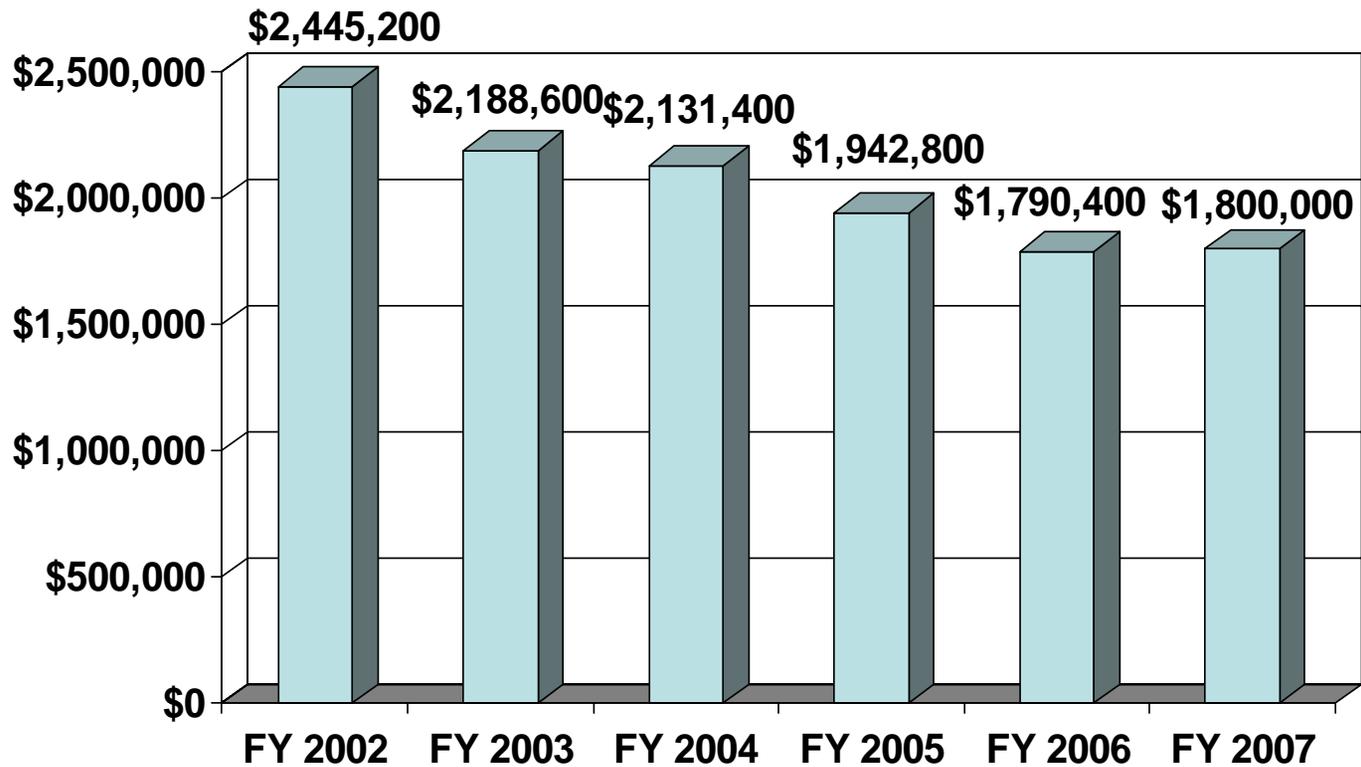
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Graph #2

Redemption Fees Received



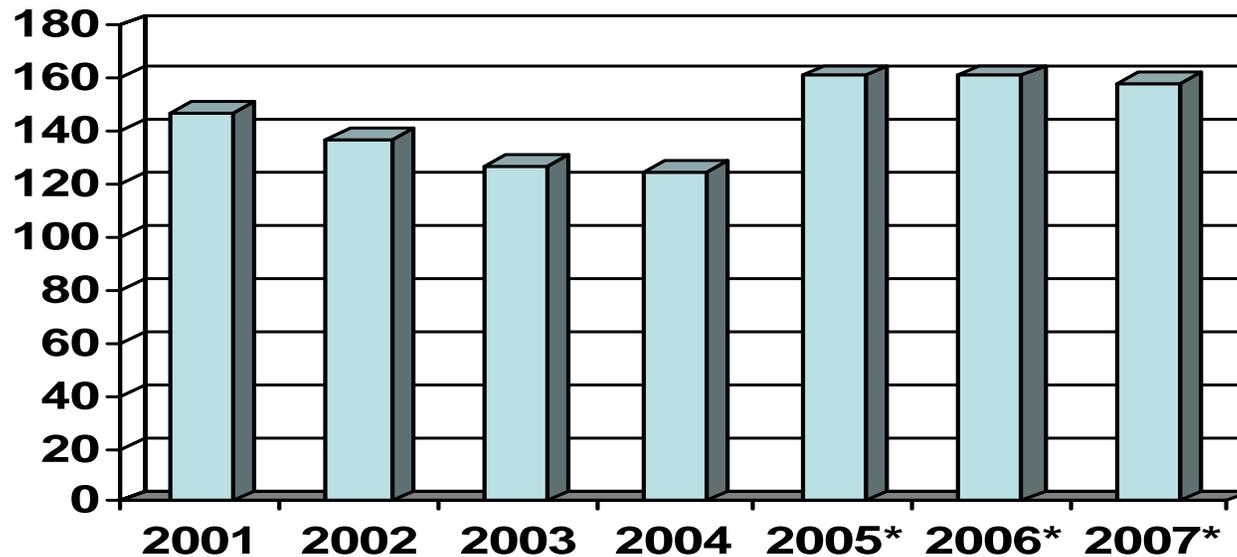
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Graph #3

WCA Administration, BOM & WCAC Agency Staffing 2001 - 2007



* Includes Board of Magistrates and Appellate Commission staffs.

- EO 2003-18 reduced the number of magistrates from 30 to 26 in 2004.
- Early Out retirements in 2003 resulted in a reduction of staff within the Agency.
- In 2005 the appropriation was combined for the Appellate Commission and the BOM.

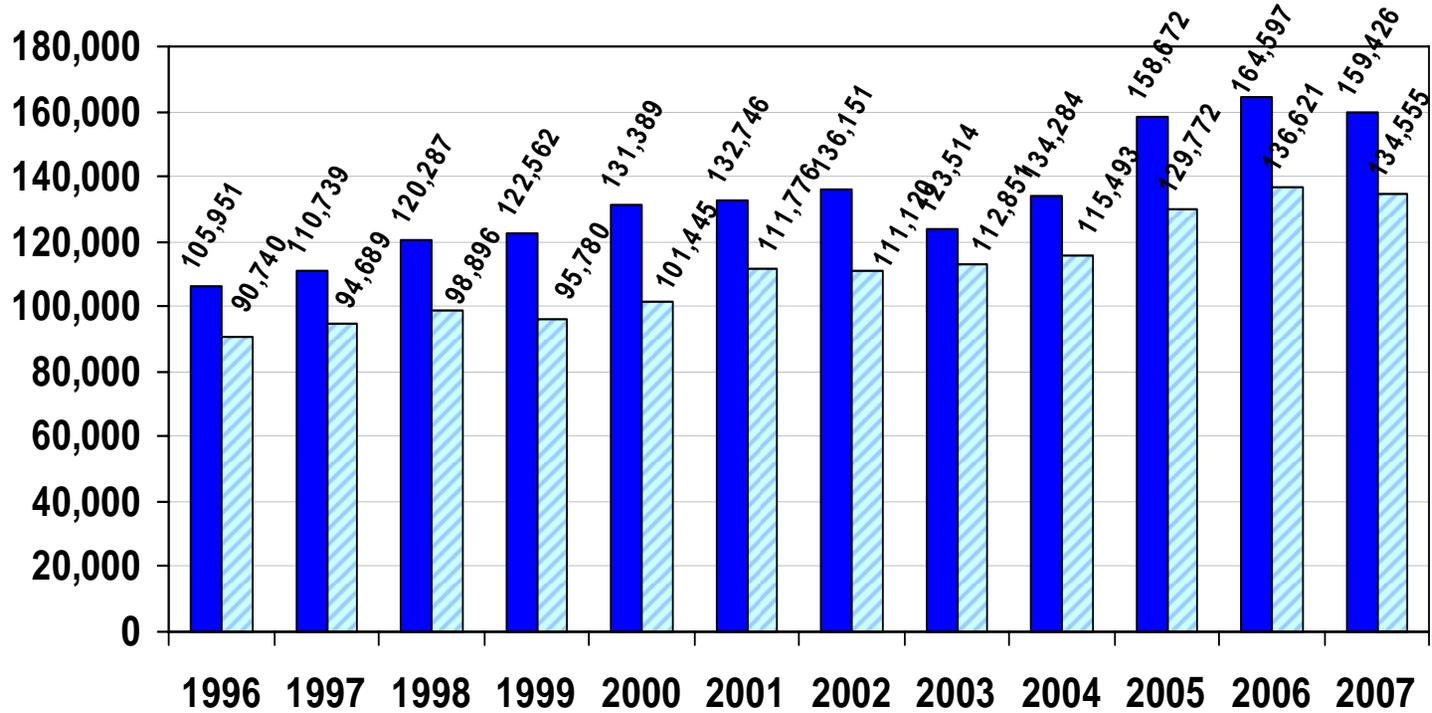
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Graph #4

Forms 400 & 401 Received



■ Form 400 - Notice of Issuance of Policy

▨ Form 401 - Notice of Termination of Policy

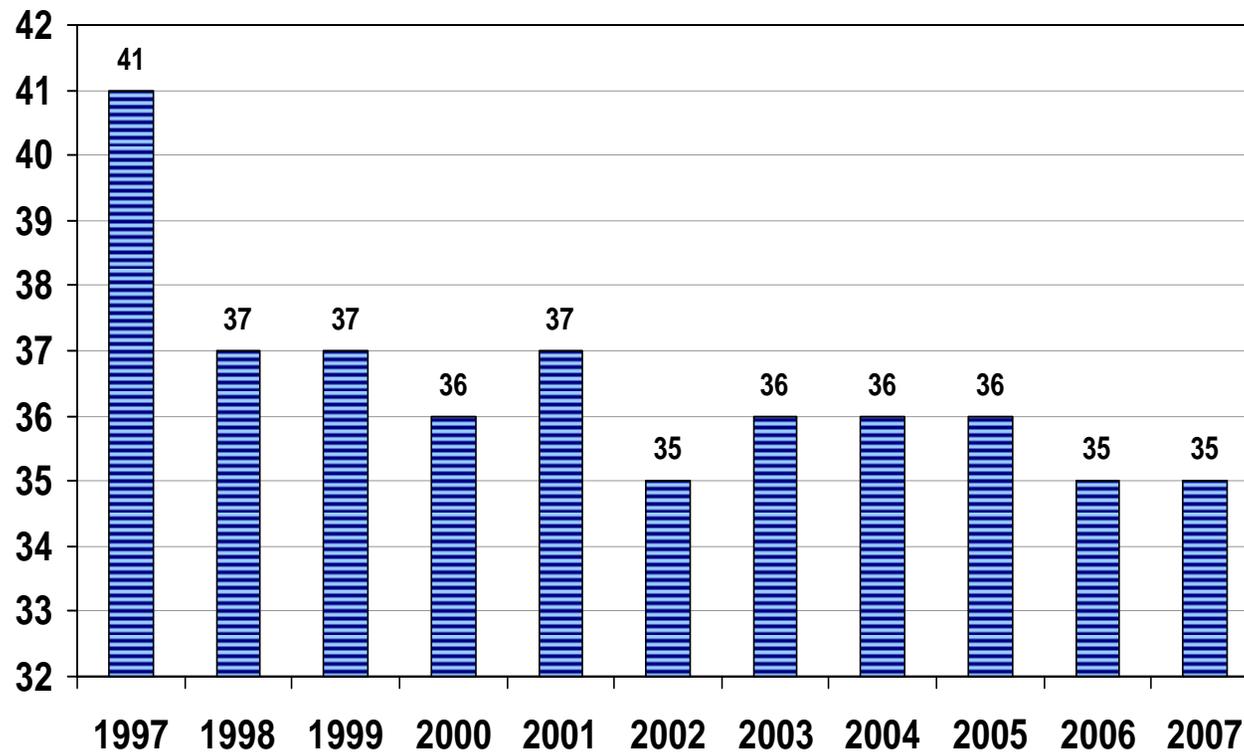
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Graph #5

Number of Approved Self-Insured Groups



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Graph #6

Number of Approved Individual Self-Insured Employers

